

DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS - CANADA  
INTERNAL TRADE BRANCH

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PRICE MOVEMENTS, AUGUST, 1936 (PRELIMINARY)

COMMODITIES

A gradual advance in the general wholesale commodity price level beginning early in June received a set-back in the second week of August. During the intervening period, the Dominion Bureau of Statistics weekly index had advanced from 71.8 to 76.3, the most important movement since the initial impetus of recovery sent prices upward in the spring months of 1933. A minor reaction in the last three weeks of August carried the index back to 75.6. One of the noteworthy features of the midsummer advance was the improvement in farm product price levels relative to the general level of wholesale prices. For the first week of August the farm product index was 74.5 as compared with 76.3 for the general index, representing the closest degree of proximity between these two series since the first quarter of 1930.

Grain prices were one of the main reasons for the August reaction in the general wholesale level, just as they had been in the van of the preceding rise. An index for grains dropped from 77.6 for the first week of August to 71.2 for the fourth. Raw cotton and silk also declined, both influenced by prospects of greater supplies for the coming year. Livestock, meats, eggs, and dairy products were mostly firm, as was also raw wool. European markets took the lead in advancing copper prices during August but turned weak at the close when American producing interests expressed opposition to higher prices at this time.

COST OF LIVING

An acceleration in the rate of increase in food prices caused the cost of living index to mount from 80.5 for July to 81.2 for August. The food group jumped from 72.6 to 74.7, the sharpest rise since August 1933 when prices first commenced to register definite signs of recovery. Higher quotations were reported for a wide range of foods including meats, eggs, butter, cheese, bread, flour, potatoes, and canned vegetables. No changes of any consequence were recorded for other budgetary groups.

SECURITIES

Prices for common stocks behaved uncertainly during August, failing in many cases to maintain modest gains made in the preceding month. Quotations at the end of August were generally higher than July averages, but lower than those obtaining at the end of July. This marked the sixth consecutive month since the peak of last February during which market movements have been indecisive, but it is undoubtedly significant that no reaction of consequence has occurred in the intervening period. Foods, beverages, and a few miscellaneous issues including International Nickel and Canadian General Electric registered the only increases of note between the closing weeks of July and August. An index of 89 industrials was 192.3 for the weeks of both July 30 and August 27, while 23 utilities dropped from 53.5 to 52.3 during the same period. Mining issues were weaker throughout August, a gold index falling from 136.0 to 131.2, and base metals from 161.0 to 156.7. The bond market continued strong, with Dominion of Canada long-term issues at all time record high levels. A price index based on six of these issues advanced from 118.4 to 119.1 during August, while a corresponding series of yields dropped from 64.4 to 63.2.

FOREIGN EXCHANGE

Movements in foreign exchange markets were unusually narrow during August, with interest continuing to centre mainly around the French franc. Small gold shipments from Paris to New York were made at irregular intervals, but the small volume of trading in francs tended to limit the amount of these transfers. It is evident from their size that no considerable flight of capital is in progress, but they show that currently there is little repatriation of capital held abroad. Firmness in the Argentine peso has recently attracted attention. It has been associated with active trade balances and the return of funds from the United States. Sterling rates at Montreal tended to stiffen slightly as the month progressed to close at \$5.035, while a small fractional premium remained on New York funds. Peseta rates were mainly nominal after the first week of August at 13.65 cents in Canadian funds.

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